

### **Information Services Budget Activity Group**

The Information Services Budget Activity Group provides for the operation of the DFAS's Technology Services Organization (TSO) responsible for software development and maintenance services. This fee-for-service Central Design Activity's (CDA) primary customer is the DFAS Financial Operations budget activity, which purchases software development and maintenance services from the TSO using a Direct Billable Hour (DBH) rate. Additionally, the CDA provides other Information Technology (IT) technical support charged on a cost reimbursable basis.

The DFAS's Information Services budget activity operates at seven geographical sites located in Denver, Colorado; Kansas City, Missouri; Indianapolis, Indiana; Columbus, Ohio; Cleveland, Ohio; Pensacola, Florida; and Lexington Park, Maryland. Additionally, there is a small staff element located in Indianapolis, which provides management for DFAS's Information Technology Infrastructure, DFAS Federal Information Processing (FIP) acquisitions, systems management, and technology support. The following table provides the budget activity's in-house workforce:

<b><u>Personnel</u></b>	<b><u>FY 2002</u></b>	<b><u>FY 2003</u></b>	<b><u>FY 2004</u></b>	<b><u>FY 2005</u></b>
Civilian E/S	1,196	1,240	1,200	1,160
Civilian Workyears	1,199	1,240	1,200	1,160
Military E/S	42	69	10	10
<b>Total Cost</b>	<b>(\$ in millions)</b>			
	<b>\$205.0</b>	<b>\$206.9</b>	<b>\$199.8</b>	<b>\$185.0</b>

The activity augments its in-house work force with contractors to meet the demands of software development and for technical expertise not available in-house. Currently, approximately 30% of the activity's work effort is provided by contract support.

#### **FY 2003 President's Budget to FY 2003 Current Estimate:**

The workload change identified in the submission reflects the guidance of the Financial Modernization Management Program (FMMP) and the DFAS migration strategy. The change

in contract costs from the President's Budget reflects our continued reliance on contract support.

**FY 2002 Current Estimate to FY 2003 Estimate:**

Customer demand for Direct Billable Hour support decreased in FY 2003 as we anticipated but our reliance on contractor support did not decrease to the degree anticipated. These factors combined with normal inflation cause a slight increase to the budget activity.

**Costs by Output Category:**

	(\$ in Millions)			
	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Direct Billable				
Hours	\$169.5	\$172.9	\$165.9	\$153.6
Support to Others	\$ 35.5	\$ 33.9	\$ 34.0	\$ 31.4
<b>Total Costs</b>	<b>\$205.0</b>	<b>\$206.9</b>	<b>\$199.9</b>	<b>\$185.0</b>

The Direct Billable Hour output reflects all costs required to perform software development and maintenance. The output is based on 1,650 hours per direct in-house workyear, 1,450 per military workyear, and 1,800 hours per contract workyear. Direct hours include civilian, military, overtime, and contract support hours.

The Support to Others output reflects TSO participation in the implementation support for software systems. As well as defining and implementing the DFAS corporate information infrastructure.

Approximately 85% of the activity personnel develop and maintain software, while 15% support system deployment and other information technology activities.

**Workload by Output Category:**

	(WL in Millions)			
	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Direct Billable				
Hours	2.8	2.6	2.4	2.3

The activity works closely with its customers, primarily the DFAS Financial Operations budget activity, to estimate TSO workload. These discussions determine the number of hours required by system for software development and maintenance. The workload changes reflect the continuing advancement of the DFAS migratory strategy for DoD Finance and Accounting systems as well as support for high priority work for legacy systems.

**Operating Results:**

	(\$ in Millions)			
	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Revenue	\$205.4	\$216.3	\$214.1	\$187.1
Costs	205.0	206.9	199.9	185.0
Net Operating Result	.4	9.4	14.2	2.1
PY AOR Adjustment	-7.7	-7.3	2.1	1.4
AOR to Zero			-14.9	
Current AOR	\$ -7.3	\$ 2.1	\$ 1.4	\$ 3.5

**Economies and Efficiencies:**

The Information Services budget activity has several on-going initiatives to standardize, modernize, and reduce costs in the software development process. The activity's Software Process Improvement Program seeks to improve and standardize software development, modification, and re-engineering practices. Efforts in the areas of configuration management project tracking, requirement analysis, and release management offset some of the increases that would have otherwise been experienced.

The DFAS Corporate Repository is a part of the DFAS Corporate Information Infrastructure (DCII) and will enhance long term efficiency by allowing the sharing of the standard system suite of systems. As they migrate to the DCII environment, the cost of development and maintenance will decline as our inventory of reusable code increases.

Fiscal Year (FY) 2004/FY 2005 Biennial Budget Estimates  
Changes in the Costs of Operation  
Component: Defense Finance and Accounting Service  
Business Area: Information Services  
Date: February 2003  
(Dollars in Millions)

	Expenses
<b>FY 2002 Actual:</b>	<b>\$205.0</b>
<b>FY 2003 Estimated in President's Budget:</b>	<b>\$190.0</b>
<b>Program Changes:</b>	
CSRS/FEHB	(\$8.0)
Civilian Pay Raise	\$1.0
Adjusted costs	\$23.7
<b>Other:</b>	
Depreciation	\$0.2
<b>FY 2003 Revised Estimate</b>	<b>\$206.9</b>
<b>Pricing Adjustments:</b>	
Annualization of Prior Year Pay Raises	\$2.4
FY 2003 Pay Raise	
Civilian Personnel	\$2.4
Military Personnel	\$0.1
General Purchase Inflation	\$0.3
<b>Productivity Initiatives and Other Efficiencies:</b>	
Process Improvements	(\$11.5)
<b>Program Changes:</b>	
CSRS/FEHB	(\$0.4)
<b>Other Changes:</b>	
Depreciation	(\$0.3)
<b>FY 2004 Estimate:</b>	<b>\$199.9</b>
<b>Pricing Adjustments:</b>	
Annualization of Prior Year Pay Raises	\$1.4
FY 2004 Pay Raise	
Civilian Personnel	\$1.5
Military Personnel	\$0.0
General Purchase Inflation	\$1.1
<b>Productivity Initiatives and Other Efficiencies:</b>	
Process Improvements	(\$19.1)
<b>Program Changes:</b>	
CSRS/FEHB	\$0.5
<b>Other Changes:</b>	
Depreciation	(\$0.3)
<b>FY 2005 Estimate:</b>	<b>\$185.0</b>

**Fiscal Year 2004/FY 2005 Biennial Budget Estimates**  
**Source of Revenue**  
**Component: Defense Finance and Accounting Service**  
**Business Area: Information Services**  
**Date: February 2003**  
**(Dollars in Millions)**

	<b>FY 2002</b>	<b>FY2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
<b>1. New Orders</b>				
<b>a. Orders From DoD Components:</b>				
Navy, O & M	\$7.0	\$8.8	\$8.4	\$8.5
Marine Corps, O & M	\$10.8	\$12.0	\$11.8	\$13.5
<b>b. Orders From Other Fund Business Areas:</b>				
DFAS Financial Operations	\$183.4	\$191.8	\$190.9	\$161.1
Air Force, DWCF	\$4.2	\$3.7	\$3.0	\$4.0
<b>c. Total DoD:</b>	<b>\$205.4</b>	<b>\$216.3</b>	<b>\$214.1</b>	<b>\$187.1</b>
<b>d. Other Orders:</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
CSRS/FEBH (CASH)		\$7.7		
<b>Total New Orders</b>	<b>\$205.4</b>	<b>\$216.3</b>	<b>\$214.1</b>	<b>\$187.1</b>
<b>2. Carry-In Orders</b>	<b>\$43.2</b>	<b>\$30.0</b>	<b>\$25.0</b>	<b>\$25.0</b>
<b>3. Total Gross Orders:</b>	<b>\$248.6</b>	<b>\$246.3</b>	<b>\$239.1</b>	<b>\$212.1</b>
<b>4. Revenue (-)</b>	<b>205.4</b>	<b>216.3</b>	<b>214.1</b>	<b>187.1</b>
<b>5. End of Year Work-in-Process (-)</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>6. Direct Contract Obligations (-)</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>7. Non-DoD, BRAC, FMS and DWCF Orders (-)</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>8. Funded Carry-Over</b>	<b>\$30.0</b>	<b>\$25.0</b>	<b>\$25.0</b>	<b>\$25.0</b>
<b>9. Months of Carryover</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>

Fiscal Year (FY) 2004/FY 2005 Biennial Budget Estimates  
Revenue and Expenses  
Component: Defense Finance and Accounting Service  
Business Area: Information Services  
Date: February 2003  
(Dollars in Millions)

	FY 2002	FY 2003	FY 2004	FY2005
<b>Revenue</b>				
Gross Sales				
Operations	202.6	214.4	212.5	185.7
Capital Surcharge				
Depreciation exc Maj Const	2.8	1.9	1.6	1.4
Major Construction Dep				
Other Income				
Refunds/Discounts (-)				
Total Income:	205.4	216.3	214.1	187.1
<b>Expenses</b>				
Cost of Material Sold from Inventory (DeCA)				
Salaries and Wages:				
Military Personnel Comp & Bene	2.7	2.5	0.7	0.7
Civilian Personnel Comp & Bene	101.1	104.9	105.2	101.7
Travel & Transportation of Personnel	1.8	2.5	2.4	2.4
Materials & Supplies (Internal Operations)	1.5	1.6	1.5	1.5
Equipment	1.1	1.3	0.9	1.2
Other Purchases from Revolving Funds	9.7	9.7	9.4	7.7
Transportation of Things	0.0	0.1	0.5	0.5
Depreciation - Capital	2.8	1.9	1.6	1.3
Printing and Reproduction	0.2	0.2	0.3	0.3
Advisory and Assistance Services	0.0	0.0	0.0	0.0
Rent, Comm, Utilities, & Misc Charges	2.1	2.3	2.3	2.3
Other Purchased Services	82.0	79.9	75.1	65.5
Total Expenses	205.0	206.9	199.9	185.0
Operating Result	0.4	9.4	14.2	2.1
Less Capital Surcharge Reservation				
Plus Appropriations Affecting NOR/AOR				
Other Changes Affecting NOR/AOR *				
Net Operating Result	0.4	9.4	14.2	2.1
Prior Year Adjustments	-7.7	-7.3	2.1	1.4
Other Changes Affecting AOR	0	0	-14.9	0
Accumlated Operating Results	-7.3	2.1	1.4	3.5
Non-Recoverable Adj Impacting AOR	0	0	0	0
Accumlated Op Result for Budget Purposes	-7.3	2.1	1.4	3.5